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SUBJECT: Senator Hagel in Brazil, Meetings on Foreign Policy

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¶1. (SBU) Summary: Senator Chuck Hagel visited Sao Paulo September 2-3, meeting with a variety of interlocutors, including foreign policy experts and Sao Paulo Governor -- and likely 2010 presidential candidate -- Jose Serra. They emphasized that the United States should not try to push Brazil on issues like security and terrorism or to negotiate some sweeping free trade agreement with the country.

Instead, they advocated sectoral trade arrangements based on our shared interests in producing cheaper, cleaner energy. They dismissed the contretemps over the Fourth Fleet as a distraction from more important issues. Governor Serra expressed concern about the protectionist elements in the Democratic Party. Overall, the foreign policy experts were very pleased with the present state of U.S.-Brazilian relations and hoped that this would continue. End Summary.

Foreign Policy Lunch

¶2. Senator Hagel had a luncheon at the Consul General's residence with a variety of important figures who have shaped Brazil's foreign relations. Those who attended were: former Minister of Foreign Affairs Celso Lafer; former Ambassador to the U.S. Rubens Barbosa; former Ambassador to the U.S. and to the WTO Rubens Ricupero; former Ambassador (London and Paris) and former Minister of Commerce, Industry, and Trade Sergio Amaral; and Ombudsman for the "Folha de Sao Paulo" newspaper Carlos Eduardo Lins da Silva.

Will the U.S. Lead?

¶3. Ambassador Amaral noted that, during the periods right after World Wars I and II, the United States offered a sweeping vision for change to the international community. He questioned whether Washington would again step up to the plate. Senator Hagel replied that he was confident the U.S. could fulfill this role yet again.

Trade Now Front and Center

¶4. Ambassador Ricupero noted how trade had taken center stage in U.S.-Latin American relations. He recommended that the U.S. not pursue a big, inclusive FTA-type agreement with Brazil, since the agricultural issues that separate the two countries are too great. Instead, he said the U.S. and Brazil should focus on sectoral accords, searching out specific areas where trade can be freed up. Ambassador Amaral seconded this approach. Ambassador Sobel cited Colombia as a concrete example of the benefits of free trade. He pointed to the "sea change" that he had seen in perceptions of the

country. Once, Colombia was viewed entirely through the lens of national security, but now people discuss the country in terms of investment opportunities.

¶5. Ambassador Barbosa underlined the possibilities for U.S.-Brazil trade relations in the energy area. The U.S. needs energy and Brazil is rapidly developing into a potential energy exporter. That said, Brazil will need "hundreds of billions in new investment" to realize this potential, particularly in the development of off-shore petroleum reserves, a fact which sets optimal conditions for doing business with U.S. firms, experts in this area.

Pragmatism Critical

¶6. (SBU) Ambassador Amaral argued that both the U.S. and Brazil should be more pragmatic in the way they think about each other. With burgeoning economic complementarities in energy, the U.S. has "no reason to push Brazil" on matters of security, Iraq, or terrorism (issues that seem distant to the Brazilians). Instead, he was confident that mutual economic interests could bring the two countries together.

¶7. (SBU) Ambassador Ricupero observed that Brazil could be more calm and pragmatic in regard to Washington. He cited a recent editorial by retired Brazilian Admiral that used gentle wit to describe some Brazilians' hyperventilating response to the announcement of the re-creation (on paper) of the Fourth Fleet. In his article, Admiral Flores said that Brazil "should be more worried about the condition of its one and only fleet than worried about the United States Fourth Fleet."

Governor Serra: Worried About Protectionism

¶8. Senator Hagel also met with Sao Paulo Governor Jose Serra, who invited Ambassador Ricupero to accompany him. Ricupero described the U.S. as entangled in wars in Afghanistan and Iraq and said that Brazilians do not respond to recent U.S. rhetoric about national

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security. Brazil, he noted, was a country insulated from world conflicts by geography -- it has not fought a war in one hundred years -- and it is the only BRIC without nuclear weapons. All of this means that the U.S. emphasis on security often does not resonate with Brazilians.

¶9. Ambassador Sobel remarked on Brazil's critical, strategic role in biofuels and how Brazil's new oil discoveries have only added to the country's importance as a possible energy exporter. This offers excellent possibilities for partnership with the U.S. Governor Serra added that Sao Paulo State produces two-thirds of Brazil's ethanol.

¶10. (SBU) Governor Serra then asked about the presidential candidates' economic policies. He recalled that nine years previously he had debated Democratic Representative Nancy Pelosi in Berkeley and that, at that time, he found her "very protectionist." Hagel replied that Pelosi's position was "a minority view," and that, while some Democrats might use protectionist rhetoric, Obama had surrounded himself with pragmatic, pro-market economic advisors like Paul Volker and Robert Rubin. Candidate McCain, Hagel noted, had always been a vigorous free trader. Senator Hagel then concluded the meeting by inviting Governor Serra to Washington, DC. Governor Serra expressed interest in receiving a copy of Senator Hagel's book.

¶11. This cable was coordinated/cleared by Senator Hagel's Staff and by Embassy Brasilia.

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